ECONOMIC NEWS

United States: Good start to the new year for the job market

HIGHLIGHTS

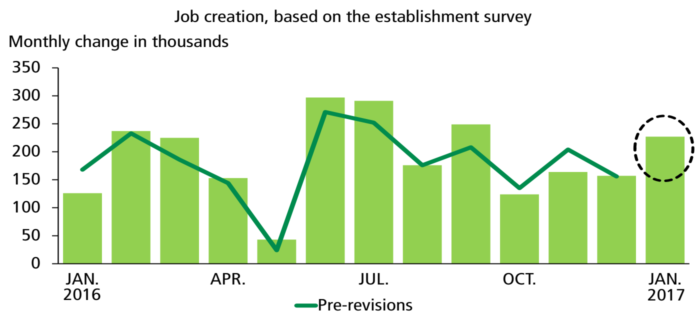
- The establishment survey shows that 227,000 net hires were made in January, on the heels of 157,000 new jobs in December (upgraded from 156,000) and 164,000 new jobs in November (downgraded from 204,000).
- The construction sector added 36,000 new jobs while manufacturing boosted its ranks by 5,000.
- Private sector services gained 192,000 new jobs; retailers added 45,900 jobs and food services saw 29,900 new hires. Professional services gained 39,000 jobs while 24,000 jobs were created in the health care and education sectors.
- The results for January came with revisions to previous data, which showed a slight improvement in the number of jobs gained in 2016, upgraded from 2,157,000 to 2,242,000.
- The jobless rate ticked up from 4.7% to 4.8%.
- The average hourly wage advanced by 0.1% in January after a 0.2% increase in December (downgraded from 0.4%). Its annual change fell from 2.8% to 2.5%.

COMMENTS

The job market was off to a good start in January 2017 with the strongest monthly job creation since September 2016. Job gains clearly exceeded the consensus forecast, which expected 180,000 new hires.

However, the job gains in January are more localized than they were one month earlier. As such, 58.8% of the 261 sectors covered reported increases in the number of workers vs. 61.5% in December. Among the sectors that showed the best performance, construction stands out with the best gains since March 2016. The financial sector added 32,000 new hires in January, the sharpest growth since October 2005. The 45,900 new hires at retailers, the strongest showing since February 2016, is quite surprising given the fairly disappointing results for retail sales during the holiday season.

GRAPH
The sharpest job growth since September



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

On the flip side, the 5,000 new manufacturing jobs came in below expectations, which were fuelled by the increase in the ISM manufacturing index.

The uptick in the jobless rate is also somewhat disappointing, but since it reflects an increase in the participation rate from 62.7% to 62.9%, the situation is still fairly positive. The weakness in wage growth is a concern however. The revised data point to a slowdown since last fall.

IMPLICATIONS

The details of the job market's most recent performance are not as conclusive as the final tally of new jobs suggests. The slowdown in wage growth is particularly disappointing. The next round of economic indicators will have to show more robust growth for the Federal Reserve to consider increasing its key rates in March; the Fed did not specifically mention this possibility at its last meeting.

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